

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7052

BILL NUMBER: HB 1659

NOTE PREPARED: Jan 1, 2009

BILL AMENDED:

SUBJECT: Postsecondary Institution Contribution Tax Credit.

FIRST AUTHOR: Rep. Murphy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the maximum allowable income tax credit for charitable contributions by an individual to postsecondary educational institutions located in Indiana from \$100 to \$500, in the case of an individual filing a single return, and from \$200 to \$1,000, in the case of a married couple filing a joint return.

Effective Date: January 1, 2010.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the increased maximum allowable tax credit for charitable contributions to postsecondary institutions in Indiana. The DOR's current level of resources should be sufficient to implement the change.

Explanation of State Revenues: *Summary* - This bill increases the maximum allowable Adjusted Gross Income (AGI) tax credit for charitable contributions to postsecondary institutions in Indiana from \$100 to \$500 for those filing single returns, and from \$200 to \$1,000 for those filing joint returns, effective tax year 2010. It is estimated that the impact of this bill could potentially reduce income tax revenues by \$18.6 M beginning in FY 2011. Revenue collected from the individual AGI tax is distributed in the state General Fund.

Background Information - For tax year 2006, 90,691 individual taxpayers claimed approximately \$8.4 M in tax credits for charitable contributions to postsecondary institutions. For tax years 2002-2006, approximately 24.8% claiming the tax credit filed single returns, and 75.2% filed joint returns. Among those filing single

returns, approximately 43.7% claimed the maximum credit amount of \$100. For joint returns, approximately 31.4% claimed the maximum credit amount of \$200. The table below provides estimates for potential revenue losses for FY 2011-FY 2013, assuming that the single and joint taxpayers claiming the maximum credit amount for tax years 2002-2006 also claim the maximum credit amount allowed by this bill. These estimates are in addition to the estimated revenue losses occurring at the current credit levels, which would be approximately \$8.9 M for FY 2011 through FY 2013.

Tax Year	Fiscal Year	Additional Revenue Loss
2010	2011	\$18.6 M
2011	2012	\$18.8 M
2012	2013	\$19.0 M

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: OFMA Individual Income Tax Database, 1996-2006.

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